



NGQUUSHWA LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended June 30, 2013

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended June 30, 2013

GENERAL INFORMATION

LEGAL FORM OF ENTITY

Municipality

EXECUTIVE COMMITTEE

Mayor

Mr S.E Ndwayana

Mr Z. Jowela (Speaker)

Ms Z. Gqadushe (Chief Whip)

Mr T Siwisa (Member of the Executive Committee)

Ms L. Cuqa (Member of the Executive Committee)

Ms N. Tele (Member of the Executive Committee)

Mr M Faltein (Member of the Executive Committee)

Councillors

Mrs N.N Maphekula

Ms T.M Dyani

Mr T. Tusani

Mr M Boqwana

Ms N.C Gxasheka

Ms Z. Gqadushe

Ms P. Sitole

Mr M.G Yolelo

Mr M.C Mapuma

Mr A. Mtshakazi

Ms N.A Seysman

Mr A. Ndanda

Mr T Magazi

Ms T.G Dyibishe

Ms N Mntanga

Mr G.M Ntonjane

Ms N Ndabazonke

Mr S Jali

Mr M.B Sethunya

Prince G. L Zitshu

Prince B. Matomela

Princess N. V Njokweni

Chief S. S Ngwekazi

Chief M. W Kaulela

Traditional Leaders

GRADING OF LOCAL AUTHORITY

Grade 3

CHIEF FINANCE OFFICER (CFO)

Ms V. Fonoza (Acting)

MUNICIPAL MANAGER

Ms V Mbelani (Appointed 11 September 2013)

REGISTERED OFFICE

Peddie

BUSINESS ADDRESS

Corner of N2 and R345 Road
Peddie
5640

POSTAL ADDRESS

P.O Box 539
Peddie
5640

BANKERS

First National Bank

AUDITORS

Auditor-General South Africa

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ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
FMG	Financial Management Grant
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
LED	Local Economic Development
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
PAYE	Pay AS You Earn
SARS	South African Revenue Services
SALGABC	South African Local Government and Bargaining Council
IDP	Intergated Development Planing
PMS	Performance Management Systems
SPU	Spacial Programmes Unit
PMU	Project Management Unit
ASB	Account Standards Board
VAT	Value Added Tax
HRD	Human Resource Development Grant
COGTA	Co-Operative Governance and Traditional Affairs
UIF	Unemployment Insurance Fund

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ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL OF FINANCIAL STATEMENTS

The Accounting Officer is required by the Municipal Finance Management Act (MFMA) (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB).

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that she is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Council sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to June 30, 2014 and, in the light of this review and the current financial position, she is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Municipality's annual financial statements. The annual financial statements have been examined by the Municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 51, which have been prepared on the going concern basis, were approved by the Council on September 27, 2013 and were signed on its behalf by:


Ms/V Mbelani
Municipal Manager

September 27, 2013

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STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2013

	Note(s)	30 June 2013 R	Restated 2012 R
ASSETS			
Current assets			
Receivables from non-exchange transactions	3	15,078,545	6,305,556
VAT receivable	4	3,066,325	897,445
Receivables from exchange transactions	5	10,835,060	449,957
Cash and cash equivalents	6	24,368,452	10,695,167
		53,348,362	16,348,125
Non-current assets			
Investment property	7	5,430,000	5,430,000
Property, plant and equipment	8	164,224,861	168,073,217
Intangible assets	9	1,177,568	-
		170,832,429	173,503,217
Total assets		224,180,811	191,851,342
LIABILITIES			
Current liabilities			
Finance lease obligation	10	113,948	149,737
Payables from exchange transactions	11	12,703,436	6,253,120
Unspent conditional grants and receipts	12	22,262,129	7,881,422
Bank overdraft	6	-	2,017,982
		35,079,513	16,302,261
Non-current liabilities			
Finance lease obligation	10	71,345	185,293
Non - current provisions	13	1,668,322	1,319,238
		1,739,667	1,504,531
Total liabilities		36,819,180	17,806,792
Net assets		187,361,631	174,044,550
NET ASSETS			
Accumulated surplus		187,361,631	174,044,550

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STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	30 June 2013 R	Restated 2012 R
Revenue			
Revenue from exchange transactions	14	451,021	417,386
Service charges	15	72,287	105,644
Rental of facilities and equipment		2,958,196	13,344
Interest received		230,501	251,785
Income from agency services		1,543,845	377,498
Licences and permits	16	463,666	1,184,711
Other revenue		961,438	254,909
Interest received - investment			
Total revenue from exchange transactions		6,680,954	2,605,277
Revenue from non-exchange transactions	17	23,669,076	23,673,677
Property rates	18	71,673,430	68,251,672
Government grants and subsidies		530	-
Public contributions and donations		66,646	197,660
Fines			
Total revenue from non-exchange transactions		95,409,662	92,123,009
Total revenue		102,090,636	94,728,286
Expenditure			
Employee related costs	19	28,492,111	25,758,684
Remuneration of councillors	20	6,233,711	6,433,427
Depreciation and amortisation	21	15,859,086	14,257,930
Finance costs	32	21,824	36,738
Debt impairment	31	9,845,760	7,863,796
Repairs and maintenance	22	3,885,276	3,979,482
Grants and subsidies paid	23	3,290,009	592,043
General expenses		28,589,778	36,336,488
Total expenditure		96,217,555	95,252,588
Operating surplus (deficit)		5,873,081	(530,302)
Gain on disposal of assets and liabilities		197,157	2,135,100
Surplus for the year		6,070,238	1,604,798

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STATEMENT OF CHANGES IN NET ASSETS

	Housing development Fund R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	2,118,290	186,517,471	188,635,761
Adjustments	69,101	(16,265,110)	(16,196,009)
Prior year adjustments			
Balance at July 1, 2011 as restated	2,187,391	170,252,361	172,439,752
Changes in net assets	-	1,604,798	1,604,798
Surplus for the year	(2,187,391)	2,187,391	-
Transfer of Housing Fund			
Total changes	(2,187,391)	3,792,189	1,604,798
Opening balance as previously reported		- 184,892,665	184,892,665
Adjustments	-	(5,791,267)	(5,791,267)
Correction of errors	-	(5,057,348)	(5,057,348)
Prior year adjustments			
Balance at July 1, 2012 as restated	36	174,044,050	174,044,050
Changes in net assets	-	7,247,343	7,247,343
Prior adjustments			
Net income (losses) recognised directly in net assets	-	7,247,343	7,247,343
Surplus for the year	-	6,070,238	6,070,238
Total recognised income and expenses for the year		- 13,317,581	13,317,581
Total changes		- 13,317,581	13,317,581
Balance at June 30, 2013		- 187,361,631	187,361,631

Note(s)

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CASH FLOW STATEMENT

	Note(s)	30 June 2013 R	Restated 2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		26,627,271	25,908,756
Rates and other income		71,673,430	68,251,672
Grants		961,438	254,909
Interest income		<u>99,262,139</u>	<u>94,415,337</u>
Payments		(35,115,995)	(31,879,157)
Employee costs		(21,824)	(36,738)
Finance costs		(35,168,954)	(39,334,448)
Suppliers		<u>(70,306,773)</u>	<u>(71,250,343)</u>
Net cash flows from operating activities	24	<u>28,955,366</u>	<u>23,164,994</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(12,120,660)	(14,394,454)
Proceeds from sale of property, plant and equipment		197,157	2,135,100
Purchase of other intangible assets	9	(1,190,860)	-
Net cash flows from investing activities		<u>(13,114,363)</u>	<u>(12,259,354)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(149,736)	(7,444)
Net Increase/(decrease) in cash and cash equivalents		16,691,267	10,898,196
Cash and cash equivalents at the beginning of the year		8,677,185	(2,221,011)
Cash and cash equivalents at the end of the year	6	<u>24,368,452</u>	<u>8,677,185</u>

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget R	Adjusted Budget R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Service charges	356,000	356,000	356,000	451,021	95,021	
Rental of facilities and equipment	28,143	28,143	28,143	72,287	44,144	
Interest received (trading)	-	-	-	2,958,196	2,958,196	
Income from agency services	292,050	292,050	292,050	230,501	(61,549)	
Licences and permits	3,600,000	3,600,000	3,600,000	1,543,845	(2,056,155)	
Other revenue	-	-	-	463,666	463,666	
Interest received - investment	360,000	360,000	360,000	961,438	601,438	
Total revenue from exchange transactions	4,636,193	4,636,193	4,636,193	6,680,954	2,044,761	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TAXATION REVENUE						
Property rates	4,550,000	4,550,000	4,550,000	23,669,076	19,119,076	
Government grants & subsidies	24,433,000	24,433,000	24,433,000	71,673,430	47,240,430	
TRANSFER REVENUE						
Public contributions and donations	-	-	-	530	530	
Fines	280,000	280,000	260,000	66,646	(213,354)	
Total revenue from non-exchange transactions	29,263,000	29,263,000	29,263,000	95,409,682	66,146,682	
Total revenue	33,899,193	33,899,193	33,899,193	102,090,636	68,191,443	
EXPENDITURE						
Personnel	(32,277,401)	(32,277,401)	(32,277,401)	(28,492,111)	3,785,290	
Remuneration of councillors	(6,431,314)	(6,431,314)	(6,431,314)	(6,233,711)	197,603	
Depreciation and amortisation	-	-	-	(15,859,086)	(15,859,086)	
Finance costs	-	-	-	(21,824)	(21,824)	
Debt impairment	-	-	-	(9,845,760)	(9,845,760)	
Repairs and maintenance	(3,015,623)	(3,015,623)	(3,015,623)	(3,085,276)	(869,653)	
Grants and subsidies paid	-	-	-	(3,290,009)	(3,290,009)	
General Expenses	(24,333,869)	(24,333,869)	(24,333,869)	(28,589,778)	(4,255,909)	
Total expenditure	(66,058,207)	(66,058,207)	(66,058,207)	(96,217,555)	(30,159,348)	
Operating Surplus/(Deficit)	(32,159,014)	(32,159,014)	(32,159,014)	5,673,081	(29,523,856)	
Gain on disposal of assets and liabilities	4,300,000	4,300,000	4,300,000	197,157	(4,102,843)	
Surplus/(Deficit)	(27,859,014)	(27,859,014)	(27,859,014)	6,070,238	(30,691,329)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(27,859,014)	(27,859,014)	(27,859,014)	6,070,238	(30,691,329)	

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ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historic cost convention, except where indicated otherwise. They have been prepared in terms of Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) and in accordance with the Generally Recognised Accounting Practice (GRAP).

The Accounting Framework of the municipality, based on the preceding paragraphs and applicable to the operations of the municipality, is therefore as follows:

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and other receivables

The municipality assesses its trade receivables and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition

1.2 Investment property

Investment property is property held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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ACCOUNTING POLICIES

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the Municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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ACCOUNTING POLICIES

1.3 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	30 years
Specialised Plant and machinery	10 - 15 years
Furniture and fixtures	5-7 years
Motor vehicles	7 years
Office equipment	5-7 years
IT equipment	4 years
Infrastructure	30 years
◦ Roads - Paved	7 years
◦ Roads Graded	20 years
◦ Electricity	

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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ACCOUNTING POLICIES

1.4 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one Municipality and a financial liability or a residual interest of another Municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Derecognition is the removal of a previously recognised financial asset or financial liability from a Municipality's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a Municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another Municipality; or
- a contractual right to:
 - receive cash or another financial asset from another Municipality; or
 - exchange financial assets or financial liabilities with another Municipality under conditions that are potentially favourable to the Municipality.

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ACCOUNTING POLICIES

1.5 Financial Instruments (continued)

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another Municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Municipality.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of a Municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of utilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an Municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an Municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the Municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Initial recognition

The Municipality recognises a financial asset or a financial liability in its statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument.

The Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The Municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The Municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the Municipality analyses a concessionary loan into its component parts and accounts for each component separately. The Municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard on Revenue from Non-exchange Transactions, where it is the recipient of the loan.

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ACCOUNTING POLICIES

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The Municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an Municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The Municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the Municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Impairment and uncollectibility of financial assets

The Municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

Financial assets is measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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ACCOUNTING POLICIES

1.5 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Presentation

Interest relating to a financial instrument or a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Municipality does not offset the transferred asset and the associated liability.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance leases - lessee

The Municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the Municipality substantially assumes risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. The Municipality will not incur a foreign lease liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

1.7 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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ACCOUNTING POLICIES

1.7 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the Municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the Municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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ACCOUNTING POLICIES

1.8 Impairment of non-cash-generating assets (continued)

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the Municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the Municipality.

Criteria developed by the Municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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ACCOUNTING POLICIES

1.9 Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.10 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

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ACCOUNTING POLICIES

1.10 Provisions and contingencies (continued)

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets;
- and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.7 and 1.8.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
 - in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
 - a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
 - the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the Municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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ACCOUNTING POLICIES

1.11 Revenue from exchange transactions (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an Municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the Municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Fines are economic benefits or service potential received or receivable by Municipality, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an Municipality either receives value from another Municipality without directly giving approximately equal value in exchange, or gives value to another Municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting Municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Municipality.

When, as a result of a non-exchange transaction, the Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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ACCOUNTING POLICIES

1.12 Revenue from non-exchange transactions (continued)

Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand, bank balances and investments in money market instruments that matures within 90 days. Investments are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Presentation of currency

These annual financial statements are presented in South African Rand which is the functional currency of the municipality.

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ACCOUNTING POLICIES

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of Graph

1.22 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2012 to 6/30/2013.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.24 Related parties

The Municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Valued Added Tax (VAT)

The Municipality accounts for VAT on accrual basis but pays over to / claims from SARS on payment basis.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	Restated 2012
	R	R

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and Interpretations effective and adopted in the current year

In the current year, the Municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:

	Effective date: Years beginning on or after
◦ GRAP 23: Revenue from Non-exchange Transactions	April 1, 2012
◦ GRAP 24: Presentation of Budget Information in the Financial Statements	April 1, 2012
◦ GRAP 104: Financial Instruments	April 1, 2012
◦ GRAP 1 (as revised 2010): Presentation of Financial Statements	April 1, 2011
◦ GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	April 1, 2011
◦ GRAP 9 (as revised 2010): Revenue from Exchange Transactions	April 1, 2011
◦ GRAP 12 (as revised 2010): Inventories	April 1, 2011
◦ GRAP 13 (as revised 2010): Leases	April 1, 2011
◦ GRAP 14 (as revised 2010): Events After the Reporting Date	April 1, 2011
◦ GRAP 16 (as revised 2010): Investment Property	April 1, 2011
◦ GRAP 17 (as revised 2010): Property, Plant and Equipment	April 1, 2011
◦ GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	April 1, 2011

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Municipality's accounting periods beginning on or after July 1, 2013 .

Standard/ Interpretation:

- GRAP 25: Employee benefits

Effective date:
Years beginning on or
after
April 1, 2013

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
3. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Other receivables	583,392	-
Property Rates	19,921,745	13,517,158
Impairment	(5,426,592)	(7,211,602)
	15,078,545	6,305,556
Ageing: Property Rates		
Current (0 -30 days)	302,395	460,679
31 - 60 days	175,260	339,671
61-90 days	201,849	568,687
91 -120 days	159,558	334,802
121 -150 days	187,253	332,153
180	17,692,718	10,150,974
	18,719,033	12,186,966
Debtors		
Balance before transferring credit balances	18,719,033	-
Credit balances	1,202,712	-
Total after removing credit balances	19,921,745	
In 2012 the Municipality had to write off an amount of R11 878 193 as bad debts. The amount written off relates to both receivables from non-exchange transactions and exchange transactions. (Refer to note 23).		
4. VAT RECEIVABLE		
VAT Output Provision	3,101,682	(49,861)
VAT Control Account	689,740	766,456
VAT Input Provision	(725,097)	180,850
	3,066,326	397,445
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
5. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Gross balances	12,270,728	1,102,150
Refuse	14,996	-
Property Rental and other services	2,968,504	-
Interest	-	-
	15,254,228	1,102,150
Less: Allowance for impairment	(3,557,248)	(652,193)
Refuse	(4,348)	-
Property Rental and other services	(857,572)	-
Interest	-	-
	(4,419,168)	(652,193)
Net balance	8,713,480	449,957
Refuse	10,648	-
Property Rental and other services	2,110,932	-
Other	-	-
	10,835,060	449,957

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
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5. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Ageing:

Refuse		
Current (0 -30 days)	(4,640)	83,080
31 - 60 days	20,023	28,322
61 - 90 days	18,165	26,335
91 - 120 days	20,852	26,153
121 - 150 days	19,117	20,847
180 days	<u>12,197,212</u>	<u>1,275,461</u>
	<u>12,270,729</u>	<u>1,460,198</u>

Housing rental

Current (0 -30 days)	9,048	(1,019,582)
31 - 60 days	4,524	9,472
61 - 90 days	324	9,243
91 - 120 days	-	9,221
121 - 150 days	-	8,970
180 days	<u>1,100</u>	<u>624,627</u>
	<u>14,996</u>	<u>(358,049)</u>

Interest

Current (0 -30 days)	627,982	-
31 - 60 days	310,646	-
61 - 90 days	308,612	-
91 - 120 days	306,528	-
121 - 150 days	304,605	-
180 days	<u>1,099,822</u>	<u>-</u>
	<u>2,953,195</u>	<u>-</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2013	Restated 2012
R	R

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Summary of debtors by customer classification

Residential		
Current (0 -30 days)	228,311	(26,378)
31 - 60 days	77,767	102,877
61 - 90 days	108,251	99,250
91 - 120 days	104,727	98,615
121 - 365 days	90,120	96,702
180 days	<u>3,685,655</u>	<u>3,402,040</u>
	<u>4,294,631</u>	<u>3,773,106</u>

Industrial/ commercial		
Current (0 -30 days)	151,870	37,135
31 - 60 days	52,814	14,620
61 - 90 days	52,203	14,449
91 - 120 days	51,181	14,449
121 - 150 days	49,734	14,449
180 days	<u>1,851,756</u>	<u>1,413,626</u>
	<u>2,209,558</u>	<u>1,508,728</u>

Other		
Current (0 -30 days)	554,604	(486,579)
31 - 60 days	379,872	259,968
61 - 90 days	368,497	490,565
91 - 120 days	331,030	257,112
121 - 150 days	371,121	250,819
180 days	<u>25,453,321</u>	<u>7,235,396</u>
	<u>27,458,445</u>	<u>8,007,281</u>

In 2012 the Municipality had to write off an amount of R11 878 193 as bad debts. The amount written off relates to both receivables from non-exchange transactions and exchange transactions. (Refer to note 23).

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
6. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	1,942	-
Bank balances	9,086,569	-
Other cash and cash equivalents	15,279,941	10,695,167
Bank overdraft	-	(2,017,982)
	24,368,452	8,677,185
Current assets	24,368,452	10,695,167
Current liabilities	-	(2,017,982)
	24,368,452	8,677,185

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	June 30, 2012	June 30, 2011	June 30, 2013	June 30, 2012	June 30, 2011
First National Bank - Public Sector Cheque Account - 62022000898 (MAIN BANK ACCOUNT)	9,103,042	(2,017,982)	(4,505,301)	9,086,569	(2,017,982)	(4,505,301)
First National Bank - Business Fixed Deposit - 74371588665	5,221,509	-	-	5,221,509	-	-
First National Bank - Equitable Share - 62270666616	28,595	766,746	1,000	28,595	766,746	1,000
First National Bank - Municipal Infrastructure Grant - 62270667531	6,857,143	6,826,312	3,369	6,857,143	6,826,312	3,369
First National Bank - Call Account -62048047494	2,250,820	2,187,390	2,118,413	2,250,820	2,187,390	2,118,413
First National Bank - Planning Account - 61684000098	98,532	97,308	98,097	98,532	97,308	98,097
First National Bank - Reserve Account - 62035920596	67,068	66,236	65,411	67,068	66,236	65,411
First National Bank - Small Town Revitalisation - 62352053301	756,274	751,176	-	756,274	751,176	-
First National Bank MSIG - 62414340894	-	-	-	-	-	-
First National Bank Rates - 6241434973	-	-	-	-	-	-
First National Bank EPWP - 6241435293	-	-	-	-	-	-
FNB Call Account EPWP - 62414353441	-	-	-	-	-	-
FNB Business FMG- 62414356594	-	-	-	-	-	-
FNB Call Account FMG - 62414358912	-	-	-	-	-	-
FNB Business LED - 62414360925	-	-	-	-	-	-
FNB Call Account LED - 62414360983	-	-	-	-	-	-
FNB Business - 62434762945	1,942	-	-	1,942	-	-
Petty Cash	24,368,925	8,677,186	(2,221,011)	24,368,452	8,677,186	(2,221,011)
Total	24,368,925	8,677,186	(2,221,011)	24,368,452	8,677,186	(2,221,011)

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2013 R	Restated 2012 R
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7. INVESTMENT PROPERTY

	2013		2012	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	5,430,000	5,430,000	5,430,000	5,430,000

Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	5,430,000	5,430,000

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	5,430,000	5,430,000

Details of property

Erf 2220 Peddie - Land Extent 4340m²

Land is leased to Engen Petroleum for R1,050 per month with an escalation clause of

10%

Land - market value

2,880,000	2,880,000
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Erf 447 Hamburg

Portion of the Caravan Park is leased to Mrs Dorego for R1,500 per month.

2,050,000	2,050,000
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Land - market value

145,500	145,500
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Building - market value

2,195,500	2,195,500
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Valuation of investment property was done and the valuation certificates was issued effective from 01 July 2012.

8. PROPERTY, PLANT AND EQUIPMENT

	2013		2012	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	45,974,316	-	45,974,316	-
Buildings	60,694,530	(6,895,947)	53,798,583	55,512,485
Plant and machinery	4,527,423	(1,613,579)	2,913,844	2,297,423
Furniture and fixtures	2,301,491	(1,368,884)	932,607	2,064,498
Motor vehicles	6,970,735	(2,219,012)	4,751,723	4,143,197
Office equipment	526,359	(414,248)	112,111	497,889
IT equipment	1,484,206	(915,694)	568,512	1,089,147
Infrastructure	83,748,649	(41,739,949)	42,008,700	83,694,319
Maintenance Equipment	393,098	(181,905)	211,193	343,752
Security Equipment	341,905	(270,656)	71,249	305,808
Other Assets	121,236	(73,029)	48,207	91,296
Capital Work in Progress	9,404,849	-	9,404,849	9,201,092
Park facilities	4,705,002	(1,276,035)	3,428,967	4,705,002
Total	221,193,799	(56,968,933)	164,224,861	209,920,224
			(41,847,007)	168,073,217

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Annual Financial Statements for the year ended June 30, 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2013 R	Restated 2012 R
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8. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Write off	Total
Land	45,974,316	-	-	-	-	45,974,316
Buildings	50,566,993	5,182,045	-	(1,950,455)	-	53,798,583
Plant and machinery	1,105,003	2,230,000	-	(421,159)	-	2,913,844
Furniture and fixtures	995,501	236,993	-	(299,887)	-	932,607
Motor vehicles	1,851,310	3,599,625	(48,225)	(650,987)	-	4,751,723
Office equipment	147,619	28,470	-	(63,978)	-	112,111
IT equipment	320,094	395,058	-	(146,640)	-	568,512
Infrastructure	53,849,506	54,330	-	(11,895,136)	-	42,008,700
Other property, plant and equipment	195,913	49,346	-	(34,066)	-	211,193
Security equipment	81,376	36,096	-	(46,223)	-	71,249
Other Assets	36,518	29,940	-	(18,251)	-	48,207
Capital Work in Progress	9,201,092	278,757	-	-	(75,000)	9,404,849
Park facilities	3,747,976	-	-	(319,009)	-	3,428,967
	168,073,217	12,120,660	(48,225)	(15,845,791)	(75,000)	164,224,861

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	Retention	Depreciation	Write-offs	Total
Land	45,974,316	-	-	-	-	-	45,974,316
Buildings	44,880,262	-	7,438,641	-	(1,751,910)	-	50,566,993
Plant and machinery	1,276,654	56,217	-	-	(227,868)	-	1,105,003
Furniture and fixtures	1,194,675	90,490	-	-	(289,664)	-	995,501
Motor vehicles	2,090,140	200,439	-	-	(439,269)	-	1,851,310
Office equipment	219,823	4,917	-	-	(77,121)	-	147,619
IT equipment	396,157	172,489	-	-	(248,552)	-	320,094
Infrastructure	53,849,506	-	-	-	-	-	53,849,506
Maintenance equipment	230,288	-	-	-	(34,375)	-	195,913
Security equipment	125,925	803	-	-	(45,352)	-	81,376
Other Assets	54,777	-	-	-	(18,259)	-	36,518
Capital Work in Progress	13,206,234	13,869,099	(17,854,191)	74,950	-	(95,000)	9,201,092
Park facilities	4,066,985	-	-	-	(319,009)	-	3,747,976
	167,565,742	14,394,454	(10,415,650)	74,950	(3,451,379)	(95,000)	168,073,217

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. INTANGIBLE ASSETS

	2013			2012		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software and implementation	1,190,860	(13,292)	1,177,568	-	-	-

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2013 R	Restated 2012 R
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9. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	1,190,860	(13,292)	1,177,568	

Reconciliation of intangible assets - 2012

	Opening balance	Total
Computer software	-	-

10. FINANCE LEASE OBLIGATION

Minimum lease payments due	126,000	181,404
- within one year	73,500	199,500
- in second to fifth year inclusive	199,500	380,904
	(14,207)	(45,874)
less: future finance charges	185,293	335,030
Present value of minimum lease payments		
Present value of minimum lease payments due	113,948	149,737
- within one year	71,345	185,293
- in second to fifth year inclusive	185,293	335,030
Non-current Liabilities	71,345	185,293
Current Liabilities	113,948	149,737
	185,293	335,030

The average lease term is 5 years and the average effective borrowing rate is linked to prime rate. Interest rates are fixed at the contract date. Leases have fixed repayment terms. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	8,187,024	4,590,801
Accrued leave pay	2,229,371	862,888
Other	1,202,712	-
Accrued bonus	836,540	724,482
Retentions	245,789	74,949
	12,703,436	6,253,120

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	20,934,426	7,260,990
Local Economic Development (LED)	327,603	221,756
Small Town Revitalisation Grant	-	304,293
Human Resource Development Grant (HRD)	-	94,383
Base09ec Roads	1,000,100	-
	22,262,129	7,881,422

The amount of R1 000 100 for Base Road 09ec is still under investigation by the Municipality regarding its purpose.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

13. NON - CURRENT PROVISIONS

Reconciliation of non - current provisions - 2013

	Opening Balance	Unwinding of discount rate / interest	Utilised during the year	Current service cost	Actuarial Loss/ (Gain)	Total
Provision for rehabilitation of land fill sites	172,238	3,084	-	-	-	175,322
Provision for long service awards	1,147,000	97,000	(135,000)	249,000	135,000	1,493,000
	1,319,238	100,084	(135,000)	249,000	135,000	1,668,322

Reconciliation of non - current provisions - 2012

	Opening Balance	Unwinding of discount rate / interest	Utilised during the year	Current service cost	Actuarial Loss/ (Gain)	Total
Provision for rehabilitation of land fill sites	169,200	3,038	-	-	-	172,238
Provision for long service awards	837,000	78,000	(102,000)	191,000	143,000	1,147,000
	1,006,200	81,038	(102,000)	191,000	143,000	1,319,238

Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at an average rate of 2.07%, over an average period of 83 years. The amount for the provision was adjusted retrospectively in accordance with the report produced by qualified engineers from the Department of Local Government. There has not been any change in circumstances or discount rate.

Employee benefit cost provision

The long-service award is payable after every 5,10,15,20,25 years of continuous service. The provision is an estimate of the amounts likely to be paid based on an actuarial valuation performed at the reporting date.

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
14. SERVICE CHARGES		
Refuse removal	451,021	<u>417,386</u>
15. RENTAL OF FACILITIES AND EQUIPMENT		
Premises	15,789	<u>105,644</u>
Venue hire		
Facilities and equipment	56,498	-
Rental of equipment	<u>72,287</u>	<u>105,644</u>
16. OTHER REVENUE		
Other income	463,666	<u>1,184,711</u>
17. PROPERTY RATES		
Rates received		
Residential	24,743,873	23,673,677
Less: Income foregone	<u>(1,074,797)</u>	-
	<u>23,669,076</u>	<u>23,673,677</u>

NGQUSHWA LOCAL MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
18. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	62,426,000	55,140,000
Expanded Public Works Programme (EPWP)	135,304	-
Municipal Infrastructure Grant (MIG)	5,824,564	9,996,010
Local Economic Development Grant (LED)	265,398	377,972
Financial Management Grant (FMG)	1,354,551	1,450,001
Municipal Systems Improvement Grant (MSIG)	800,000	790,000
Small Town Revitalisation	744,924	436,160
Human Resource Development Grant (HRD)	122,689	61,529
	71,673,430	68,251,672

Equitable Share

In terms of the Municipal Finance Management Act (Act 56 of 2003), this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from the grant. The grant is unconditional and fully utilised in the year of receipt.

The grant was received from National Treasury.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	7,260,990	-
Current-year receipts	20,934,000	17,257,000
Conditions met - transferred to revenue	(5,824,564)	(9,996,010)
	22,370,426	7,260,990

The grant was received from National Treasury.

The grant was used for construction of community halls and extension of access roads.

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	800,000	790,000
Conditions met - transferred to revenue	(800,000)	(790,000)
	-	-

The grant was received from Provincial COGTA.

The grant was used for stipend for ward Committees.

Expanded Public Works Programme (EPWP)

Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(135,304)	-
	864,696	-

The grant was received from Provincial COGTA.

The grant was used to pay salaries.

Financial Management Grant (FMG)

Current-year receipts	1,500,000	1,450,000
Conditions met - transferred to revenue	(1,354,551)	(1,450,000)
	-	-

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
18. GOVERNMENT GRANTS AND SUBSIDIES (continued)	145,449	-

The grant was received from National Treasury.

This grant was used to pay salaries and information technology infrastructure expenses.

Local Economic Development (LED)

Balance unspent at beginning of year	221,756	111,806
Current-year receipts	371,245	487,922
Conditions met - transferred to revenue	(265,398)	(377,972)
	327,603	221,756

The grant was received from Provincial COGTA.

These grants were used for personnel costs.

Small Town Revitalisation Grant.

Balance unspent at beginning of year	304,293	-
Current-year receipts	440,631	740,453
Conditions met - transferred to revenue	(744,924)	(436,160)
	-	304,293

The grant was received from Provincial COGTA.

The grants were used to pay personnel costs and the maintenance of roads.

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Annual Financial Statements for the year ended June 30, 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
19. EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	20,611,886	18,842,663
Bonuses	1,450,794	1,437,476
Contributions for UIF, pensions and medical aids	4,017,727	3,312,328
Redemption of leave	77,803	222,538
Travel, motor car, accommodation, subsistence and other allowances	2,302,153	1,913,403
Housing benefits and allowances	31,748	30,276
	26,492,111	25,758,684

The amounts below have been included above.

Remuneration of Municipal Manager

Annual Remuneration	155,398	359,708
Travel, motor car, accomodation, subsistence and other allowances	43,925	63,000
Contributions to UIF, Medical Aid, Pension Fund	-	4,856
Cellphone allowance	10,000	-
	209,323	427,564

The Municipal Manager's contract was terminated during 2012 /2013 and there was a new Acting Municipal Manager employed during the current financial period.

Remuneration of Chief Finance Officer

Annual Remuneration	633,183	583,779
Travel, motor car, accommodation, subsistence and other allowance	120,000	126,000
Contribution to UIF,Medical and Pension funds	-	8,170
Cellphone allowance	6,000	-
	759,183	717,949

Remuneration of Executive Manager Community Services

Annual Remuneration	633,464	583,779
Travel, motor car, accommodation, subsistence and other allowances	120,000	126,768
Contributions to UIF, Medical and Pension Funds	-	8,401
Acting Allowance	40,184	27,298
Cellphone allowance	6,000	-
	799,648	746,248

Remuneration of Executive Manager (Corporate Services)

Annual Remuneration	633,464	583,779
Travel, motor car, accommodation, subsistence and other allowances	120,000	126,081
Contributions to UIF, Medical and Pension Funds	-	8,089
Acting allowance	40,184	43,592
Cellphone allowance	6,000	-
	759,464	761,541

Remuneration of Executive Manager Technical Services

Annual Remuneration	175,226	535,131
Contributions to UIF, Medical and Pension Funds	-	7,659
Travel, motor car, accommodation, subsestance and other allowances	10,000	115,500
Cellphone	500	-
	185,726	658,290

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
20. REMUNERATION OF COUNCILLORS		
Executive Mayor	627,062	640,620
Mayoral Committee Members	262,603	1,445,458
Speaker	505,660	505,660
Councillors	3,298,361	3,080,241
Traveling allowances	1,345,633	-
Councillors' Pension, and Medical Aid Contributions	-	703,453
Other Allowances	194,392	57,995
	6,233,711	6,433,427

The remuneration of councillors is based on the upper limit set by the Government Gazette.

21. DEPRECIATION AND AMORTISATION

Property, plant and equipment	15,845,794	14,257,930
Intangible assets	13,292	-
	15,859,086	14,257,930

22. GRANTS AND SUBSIDIES PAID

EPWP	125,134	-
FMG	1,354,551	-
LED Grant	265,399	592,043
MSIG Grant	800,001	-
Small Town	744,924	-
	3,290,009	592,043

NGQUSHWA LOCAL MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
23. GENERAL EXPENSES		
Accommodation expenses	2,377,804	1,677,857
Administration	133,207	-
Advertising	512,727	132,336
Agriculture	1,819,785	940,458
Audit Fees	3,956,205	1,885,472
Audit committee expenses	675,078	178,275
Bad Debts	8,458	11,878,193
Bank charges	169,371	278,790
Beach festival	-	28,215
Books and publications	161,883	50,319
Bursaries	42,030	246,900
Communication and public relations	-	2,140,973
Computer expenses	84,007	7,094
Conferences and seminars	10,270	29,549
Consultation and professional fees	2,470,049	1,064,910
Consumables	21,529	16,663
DSTV	-	7,439
Disaster Management	20,280	15,200
Electricity	1,622,183	3,661,150
Employee assistance programme	153,774	2,900
Entertainment	553,986	139,925
Environmental Awareness Programme	60,820	5,750
Financial recovery plan and strategy	574,943	1,806,965
Fuel and oil	965,465	636,909
Hire of equipment	184,625	14,300
IDP review	973,824	499,789
Increase in provision of landfill sites	3,084	130,559
Insurance	276,045	301,803
Inter Governmental Relations	31,140	5,790
Interest on audit fees	58,415	74,593
Inventory items	162,550	105,738
Leave Pay	1,615,811	-
Legal expenses	151,260	2,272,785
Life Savour Hire	153,699	209,900
Long Service Bonus	346,000	-
Loss on write off of assets	-	500,814
Motor vehicle expenses	182,681	7,850
Other expenses	577,189	323,435
Outreach programmes	197,276	213,320
PMS Review	245,000	17,040
PMU costs	53,430	143,811
Pest Control	-	4,904
Printing and stationery	371,511	334,927
Refuse	118,778	85,481
Rental of office equipment	453,070	234,471
SPU	500,190	344,148
Security	268,900	-
Small Town Revitalisation	888,463	429,361
Subscriptions and membership fees	4,415	5,030
Telephone	794,044	892,450
Tourism development	698,367	366,267
Training	76,524	644,319
Travel - local	363,465	496,205
Uniforms	225,723	167,582
Valuation costs	818,016	502,078
Ward Committees	244,987	-
Water Municipal Use	1,157,422	175,496
	26,589,778	36,336,488

NGQUSHWA LOCAL MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
24. CASH GENERATED FROM OPERATIONS		
Surplus	6,070,238	1,604,798
Adjustments for:		
Depreciation and amortisation	15,859,086	14,257,930
Loss on sale of assets and liabilities	(197,157)	(2,135,100)
Finance costs - Finance leases	21,824	36,738
Debt impairment	9,845,760	7,863,796
Movements in provisions	349,084	633,750
Loss on write off of assets	-	500,814
Other cash item	7,384,032	4,015,304
Changes in working capital:		
Receivables from non-exchange transactions	(8,772,989)	(960,794)
Receivables from exchange transactions	(20,230,863)	(4,757,777)
Payables from exchange transactions	6,450,313	(5,946,725)
VAT	(2,168,880)	310,568
Unspent conditional grants and receipts	14,380,707	7,881,422
Repayment of finance lease	(35,789)	(139,730)
	26,956,366	23,164,994

25. EVENTS AFTER THE REPORTING DATE

The Municipality disposed of some of the movable assets through a public auction that was held the 26 July 2013.

The Municipal Manager was appointed on the 11 September 2013.

26. UNAUTHORISED EXPENDITURE

Reconciliation of unauthorised expenditure	8,752,893	8,752,893
Opening balance	(22,925,897)	-
Unauthorised expenditure current year	(14,173,004)	8,752,893
Finance costs	21,824	-
Depreciation / Amortisation	15,859,087	-
Debt impairment	4,788,412	-
General expenses	2,256,574	-
	22,925,897	-

NGQUSHWA LOCAL MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
27. FRUITLESS AND WASTEFUL EXPENDITURE		
Opening balance	644,814	606,399
Fruitless and wasteful expenditure current year	5,595,547	38,415
Less: Amounts approved for condonation	(72,540)	-
Less: Amounts recoverable (not condoned)	(177,326)	-
	5,990,495	644,814
 Details of Fruitless and Wasteful Expenditure		
Accommodation for councillors	20,400	-
Accommodation for councillors	45,900	-
Subsistence and traveling	6,240	-
Auditor General	177,326	-
Auditor General	74,616	-
Eskom Holdings	170	-
Eskom Holdings	138	-
Telkom SA	108	-
Thakweni Consulting - venus support	51,243	-
Thakweni Consulting - venus support	69,996	-
Tavor Motor Group	414,000	-
Thakweni Consulting - venus support	119,130	-
Daniel Study Centre	40,641	-
Daniel Study Centre	37,221	-
Thakweni Consulting - venus support	65,094	-
HTB Consulting	66,000	-
HTB Consulting	32,400	-
	1,220,623	-
 28. IRREGULAR EXPENDITURE		
Opening balance	10,323,830	10,323,830
Add: Irregular Expenditure - current year	16,065,513	30,396,324
Less: Amounts approved by council and forwarded to condoning authority	-	(30,396,324)
	26,389,343	10,323,830

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
28. IRREGULAR EXPENDITURE (continued)		
Details of Irregular expenditure – current year		
Venus support -	Disciplinary steps taken/criminal proceedings Acting Municipal Manager to make a follow up as per Section 32 of the MFMA and prepare a report	51,243
Venus support	Acting Municipal Manager to make a follow up as per Section 32 of the MFMA and prepare a report	69,996
Supply & delivery of Motor Vehicles	Acting Municipal Manager to make a follow up as per Section 32 of the MFMA and prepare a report	414,000
Venus support	Acting Municipal Manager to make a follow up as per Section 32 of the MFMA and prepare a report	65,094
Balancing of trial balance to be submitted for annual financial statements	Acting Municipal Manager to make a follow up as per Section 32 of the MFMA and prepare a report	119,130
Venus support	Acting Municipal Manager to make a follow up as per Section 32 of the MFMA and prepare a report	49,704
Preparation of the budget	Acting Municipal Manager to make a follow up as per Section 32 of the MFMA and prepare a report	40,641
Preparation of the budget	Acting Municipal Manager to make a follow up as per Section 32 of the MFMA and prepare a report	37,221
Telephone book company	Acting Municipal Manager to make a follow up as per Section 32 of the MFMA and prepare a report	47,940
Telephone book company	Municipal Manager to make a follow up as per Section 32 of the MFMA and prepare a report	35,940
VAT review	Municipal Manager to make a follow up as per Section 32 of the MFMA and prepare a report	119,553
Service provider / catering products		10,500
Supply and delivery of hardware		17,280
Babcock Equip		27,852
Repairs and maintenance		29,130
Goscor Cleaning		29,500
Maverick Trading		119,700
LT Alice Security Training & Services		268,900
Hob Construction jv SQT		860,327
CJ & T jv		430,870
Core facts 1116cc		668,220
Ameva Trading cc		49,500
Core facts 1116cc		668,220
Hob Construction jv SQT		860,327
MNT jv		900,437
CJ & T jv		764,578
Fleet dynamics		1,555,875
Telkom S.A		-
MNT jv		533,167
Ntsebenzo Plant hire		572,110
ANM Consulting Engineers		275,594
Tyume Blocks		850,144
Miser Trading		923,600
Supply and delivery of bakkies		772,800
Professional Consulting services		358,190
ANM Consulting Engineers		275,594

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
28. IRREGULAR EXPENDITURE (continued)		
Hino Buffalo	483,698	
Toshiba laserfax	20,425	
TKS Projects (PTY) LTD	62,221	
element Consulting Engineers	-	
Williams Hunt	-	
Asande Projects	-	
Mongkha Logistics Solutions t/a S.A coast guards	29,859	
Chuleto/Kamvajv engineers	83,993	
HTB Consulting	527,900	
ZIYANDANDA BUSINESS	772,800	
SHINE THE WAY 376 CC	3,300	
Accommodation	7,500	
Supply and delivery of goods and services	39,672	
Supply and delivery of goods and services	39,672	
Catering	25,560	
Catering	51,120	
Provision for life guards	495,360	
Catering	39,700	
Accommodation	334,050	
Accommodation	45,071	
Catering	50,485	
Catering	61,000	
Catering	4,400	
Catering	14,850	
	16,065,513	

29. ADDITIONAL DISCLOSURE IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Audit fees

Opening balance	2,124,975	1,790,437
Current year subscription / fee	3,956,205	2,220,010
Amount paid - current year	<u>(3,956,205)</u>	<u>(1,885,472)</u>
	2,124,975	2,124,975

PAYE and UIF

Current year subscription / fee	4,412,118	4,026,051
Amount paid - current year	<u>(4,412,118)</u>	<u>(4,026,051)</u>
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	6,978,969	2,833,310
Amount paid - current year	<u>(6,978,969)</u>	<u>(2,833,310)</u>
	-	-

VAT

VAT receivable	3,066,325	897,445
	-	-

VAT output payables and VAT input receivables .

All VAT returns have been submitted by the due date throughout the year.

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Annual Financial Statements for the year ended June 30, 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2013 R	Restated 2012 R
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33. COMMITMENTS

Authorised capital expenditure

Already contracted for but not provided for

◦ Property, plant and equipment	14,018,616	2,370,063
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This committed expenditure relates to infrastructure and will be financed by Municipal Infrastructure Grant.

34. CONTINGENCIES

A dispute of unfair labour practice has been lodged by Mr Gwintsa with SALGABC and Arbitration will be on the 22 August 2013. The matter was referred to Wesley Pretorius. The potential liability associated with this case could not be ascertained.

Ngqushwa Municipality vs Milisa Security and Cleaning Services -The municipality is being sued by Proman Business Consultants CC for alleged services rendered at the instance of the municipality., and damages allegedly as a result of breach of contract.

Ngqushwa Municipality vs Magqabi Seth Zitha Attorneys-

The Municipality has been sued by Attorneys, Magqabi Seth Zitha, for the alleged legal services rendered to the Municipality as per irregular resolutions taken in an irregular meeting.

Ngqushwa Municipality vs Zoysile Witness Kanzi -This matter involves two actions one brought by the Municipality and one brought against the Municipality. The first action is Case No.413/2008 and it is brought against Zoysile Witness Kanzi for the amount of R150 000 in respect of Claim 1 which was for fruitless and wasteful expenditure and Claim 2 is an amount of R247 125.75 in respect of also fruitless and wasteful expenditure and/or irregular expenditure. In respect of Case No. 661/2008 the Municipality is being sued by Mr Kanzi for an amount of R176 782 allegedly arising out of the breach of contract.

Amathole District Municipality

The municipality has a disagreement with Amathole District Municipality regarding the matter of the water bill amounting to R 8 891 058. The payment of this amount is remote and the settlement period of this dispute can not be estimated reliably.

The wage curve agreement liability

The Municipality did not provide for the increment in terms of the wage curve agreement since no job evaluations have yet been done and consequently it is impracticable to reliably measure the obligation that exists as a result of the wage curve agreement.

Contingent liabilities

Warrant of execution eye Sizwe Consulting Engineers vs LM KANZI - RECOVERY OF LOSSES	73,180
MILISSA SECURITIES & CLEANING	573,907
MAGQABI SETH ZITHA ATTORNEYS	176,783
Amathole District Municipality	131,524
	<hr/>
	8,891,058
	<hr/>
	9,846,452

Contingent assets

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 27, civil proceedings have commenced against the employees concerned to recover the amounts according to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount and this recovery is virtually certain.

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
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35. RELATED PARTIES

Relationships

Accounting Officer

Members of key management

Refer to accounting officer's report note

Ms V Mbelani (MM)

Ms V. Fonoza (Acting CFO)

Ms B.B. Maliza (Acting Corporate Services Manager)

Mr N.M Mjo (Community Services Manager)

Mr S.S. Mnweba (Acting Technical Services Manager)

The Department of Local Government provides support to the Local Municipality through funding the part payment toward the salary of the Municipal Manager.

Member of the key management provides services to the Municipality which in turn pays their short and long term employee benefit costs.

Related party transactions

Municipal Manager's part salary

Salary for 6 months (20000 per month)

120,000

Compensation to accounting officer and other key management

Short-term employee benefits

2,230,735

2,646,176

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	Restated 2012 R
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36. PRIOR PERIOD ERRORS

	Previously stated	Reclassification	Correction of error	Restated
Statement of Financial Position				
Current Assets				
Receivables from non-exchange transactions	3 1,570,335		- 1,891,165	3,461,500
Vat receivables	4 1,102,537		- (205,092)	897,445
Receivables from exchange transactions	5 3,228,855		- -	3,228,855
Cash & cash equivalents	6 10,695,167		- (10,695,167)	-
	<u>5,901,727</u>		<u>- (9,009,094)</u>	<u>(3,107,367)</u>
Non-current assets				
Investment property	7 3,423,013		- 2,006,987	5,430,000
Property, plant and equipment	8 198,225,268		- (30,152,051)	168,073,217
Intangible assets	9 37,671		- (37,671)	-
	<u>201,685,952</u>		<u>- (28,182,735)</u>	<u>173,503,217</u>
Current liabilities				
Payables from exchange transaction	11 9,419,705		- (3,166,585)	6,253,120
Bank Overdraft	6 1,248,569		- 769,413	2,017,982
Unspent conditional grants	12 7,881,422		- (7,881,422)	-
Finance lease obligation	10 149,737		- (149,737)	-
	<u>18,549,696</u>		<u>- (10,428,331)</u>	<u>8,121,365</u>
Non-current liabilities				
Non-current provisions	13 2,375,838		- (1,056,600)	1,319,238
Net assets				
Accumulated surplus	194,834,894	2,187,390	(22,977,735)	174,044,549
Housing development fund	2,187,390	(2,187,390)		-
	<u>197,022,284</u>	<u>- (22,977,735)</u>	<u>174,044,549</u>	
Statement of Financial Performance				
Revenue				
Property rates	17 11,795,484		- 11,878,193	23,673,677
Expenditure				
Depreciation and amortisation	21 (9,573,489)		- (4,684,441)	(14,257,930)
Finance costs	32 -		- (36,738)	(36,738)
Debt impairment	(5,057,348)		- (2,806,448)	(7,863,798)
Repairs and maintenance	(3,491,395)		- (488,087)	(3,979,482)
Grants and subsidies paid	22 -		- (592,043)	(592,043)
General expenses	23 (24,218,324)		- (12,118,164)	(36,336,488)
	<u>(42,340,556)</u>		<u>- (20,725,921)</u>	<u>(63,066,477)</u>
Cash Flows Statement				
Cash flow from operating activities				
Net cash flows from operating activities	26,024,128		- (6,096,406)	19,927,722
Cash flow from investing activities				
Purchase of property plant and equipment	8 (14,322,944)		- 3,165,762	(11,157,182)
Proceeds from sale of fixed assets	- -		- 1,634,286	1,634,286
Cash flows from financing activities				
Finance lease payments		- -	- (7,444)	(7,444)
Net cash and cash equivalents				
cash and cash equivalents at the end of the year	6 9,446,597		- (769,412)	8,677,185

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Annual Financial Statements for the year ended June 30, 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2013	Restated 2012
R	R

37. RISK MANAGEMENT

Liquidity risk

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and grant receipts.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

The municipality's interest bearing assets are included under cash and cash equivalents.

The municipality's income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of interest bearing assets.

At year end financial assets exposed to interest rate risk were as follows:

Cash and cash equivalents - R24 368 452, (2012 - R10 695 167)

Balances with banks, deposits and all call and current accounts attract interest at rates that vary with South African prime rate. The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus / deficit.

Surplus funds are invested with banks for fixed terms on fixed interest rates not exceeding one year. For details refer Note 6.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and accounts receivable. The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Accounts receivable comprise a widespread customer base. Management evaluated credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2013	2012
Cash and cash equivalents	24,368,452	10,695,167
Trade receivables from non - exchange transactions	15,078,545	8,305,556
Receivables from exchange transactions	10,835,060	449,957

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

38. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

2012

	Original budget	Budget adjustments (i.e. s28 and s31 of the MFAA)	Final budget adjustments	Virement funds (i.e. s31 of the MFAA)	Final budget (i.e. council approved policy)	Actual outcome	Unauthorized expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance	4,550,000	-	4,550,000	-	4,550,000	23,669,076	-	19,119,076	520 %	520 %
Property rates	356,000	-	356,000	-	356,000	451,021	-	95,021	127 %	127 %
Service charges	360,000	-	360,000	-	360,000	961,438	-	601,438	267 %	267 %
Investment revenue	3,920,193	-	3,920,193	-	3,920,193	5,465,652	-	1,545,459	139 %	139 %
Other revenue	-	-	-	-	-	-	-	-	-	-
Total revenue (excluding capital transfers and contributions)	9,186,193	-	9,186,193	-	9,186,193	30,547,187	-	21,360,994	333 %	333 %
Employee costs	(32,277,401)	-	(32,277,401)	-	(32,277,401)	(28,492,111)	-	3,785,290	-	-
Remuneration of councillors	(6,431,314)	-	(6,431,314)	-	(6,431,314)	(6,233,711)	-	197,603	-	-
Debt impairment	-	-	-	-	-	(9,845,760)	-	(9,845,760)	-	-
Depreciation and asset impairment	-	-	-	-	-	(15,859,086)	-	(15,859,086)	-	-
Finance charges	-	-	-	-	-	(21,824)	-	(21,824)	-	-
Transfers and grants	-	-	-	-	-	(3,290,009)	-	(3,290,009)	-	-
General expenditure	(24,433,000)	-	(24,433,000)	-	963,266	(23,464,734)	(26,590,443)	(3,125,709)	-	-
Total expenditure	(63,141,715)	-	(63,141,715)	-	963,266	(62,173,449)	(90,332,944)	(28,159,495)	145 %	143 %
Surplus/(Deficit) for the year	(53,955,522)	-	(53,955,522)	-	(52,987,256)	(59,785,757)	(6,798,501)	113 %	111 %	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

38. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Budget adjustments (i.e. s28 and s31 of the MFMA)	Final budget	Virement of funds (i.e. s31 of the MFMA)	Final budget (i.e. council approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources										
Total capital expenditure	-	-	26,000	-	26,000	9,796,726	-	9,770,726	37,680 %	Div 0 %

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

36. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget (i.t.o. council approved policy)	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows										
Net cash from (used) operating	34,962,000	-	34,962,000	-	-	34,962,000	23,955,366	(6,006,634)		
Net cash from (used) investing	(35,833,000)	-	(35,833,000)	-	-	(35,833,000)	(13,114,363)	22,718,637		
Net cash from (used) financing	-	-	-	-	-	-	(149,736)	(149,736)		
Net increase/(decrease) in cash and cash equivalents	(671,000)	-	(671,000)	-	-	(871,000)	15,691,267	16,562,267		
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	3,677,165	3,677,165	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	(671,000)	-	(871,000)	-	-	(671,000)	24,366,452	(25,239,452)		

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SCM DEVIATION REGISTER

1.

Transaction Description	Circumstances / Reasons which led to deviation from norm	Name of service provider	Finalization Date	Amount
Construction of Ngqwele community hall	Lack of capacity to the Tyume blocks highest bidder	Tyume blocks	Wednesday, August 15, 2012	944,603
Construction of Peddie Extension hall	Lack of capacity to the CJ & TJ jv highest bidder	CJ & TJ jv	Tuesday, November 13, 2012	856,280
Construction of Prudoh community hall	Lack of capacity to the Corefacts highest bidder	Corefacts	Wednesday, October 17, 2012	976,750
Construction of Bhongweni community hall	Lack of capacity to the Hob highest bidder	Hob Construction	Wednesday, October 17, 2012	956,570
Professional services for Nyeleni-Qeto access roads	Lack of capacity to the ANM highest bidder	ANM	Friday, March 1, 2013	546,288
Development of IDP and SDBIP	This was the only tenderer	HTB Consulting	Friday, March 15, 2013	461,300
Implementation of ERP system	Section 32 Appointment	Camelsa Consulting Group	Thursday, April 25, 2013	1,800,000
Audi Centre East London	Mayor's car was bought	Audi Centre East London	Friday, June 7, 2013	560,772
				7,102,563

